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BROADCAST TELEVISION NETWORKS AND AFFILIATES: ECONOMIC CONDITIONS AND RELATIONSHIP — 1980 AND TODAY

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I. SUMMARY

National Economic Research Associates, Inc. was retained by counsel to the Network Affiliated Stations Alliance, an informal coalition of the affiliate associations of the ABC, CBS and NBC television networks, to analyze an economic issue central to the Federal Communications Commission's ("the Commission's") review of its regulations governing the network-affiliate relationship.[1] Specifically, we were asked to assess any changes in that relationship since the Network Inquiry Special Staff issued its 1980 report.[2]

Based on the available information, we have reached the following conclusions:

- Since 1980, external developments in the marketplace in which the traditional television networks and their affiliates operate—particularly, the rise of cable television and improvements in syndicated programming—have not, on balance, demonstrably diminished the attractiveness of network affiliation for a television station.
- Other outside factors potentially affecting the balance of power between networks and affiliates—the entry of new networks and stations and changes in group ownership—have not tended to favor affiliates.
- This conclusion that the network-affiliate relationship has not tipped in favor of affiliates is supported by our analysis of changes in direct measures of the relationship, including those examined by the Network Inquiry Special Staff. Since

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* The authors have extensive experience conducting research on the television industry and other electronic and print media. Our resumes are included as Attachment A.

[1] Federal Communications Commission, *In the Matter of Review of the Commission's Regulations Governing Programming Practices of Broadcast Television Networks and Affiliates, Notice of Proposed Rule Making,* MM Docket No. 95-92, June 15, 1995.

[2] Network Inquiry Special Staff, *New Television Networks: Entry, Jurisdiction, Ownership and Regulation, Final Report*, October 1980.

1980 network compensation has not increased in real terms, profits of affiliates have not increased relative to networks and clearance rates have not declined.

Three sections follow this introduction. In Section II, we provide a brief overview of the Commission's objectives, as stated in the NPRM, and outline our assignment. In Section III, we assess changes in market conditions that have taken place since 1980 that affect the network-affiliate relationship. In Section IV, we compare direct measures of their relationship in 1980 and the present.[3]

II. BACKGROUND AND ASSIGNMENT

As the Commission recognizes, networks operate in a variety of related markets: they purchase programming; they contract for affiliated stations; they attract audiences; and they sell time to advertisers. Outside forces affecting the networks have potentially different consequences in the different markets. Accordingly, the Commission has chosen to examine separately its rules governing network operations in each of these areas. This proceeding focuses on "the intermediate market where stations meet networks." [NPRM, ¶8.]

This market was last reviewed comprehensively in 1980. At that time, the Network Inquiry Special Staff suggested the elimination of most of the network-affiliate rules. However, the Commission took no action on the Special Staff's recommendations and, instead, retained the five regulations at issue in this NPRM. The current proposals to modify or eliminate these regulations are based on the possibility that affiliates may have gained a sufficient degree of bargaining power since 1980 to make the rules partially or wholly unnecessary. Based on information gathered in the Commission's review of its programming market rules (the financial interest and syndication rules), it states "changes in the in the communications marketplace appear to have decreased to some extent the networks' ability to exercise undue influence over their affiliates to affect the flow of programming available to viewers." [NPRM, ¶7.]

As noted above, NERA's assignment is to assess the changes in the economic conditions surrounding the network-affiliate relationship that have occurred since 1980. Specifically, using the best available data for the years surrounding 1980 and the present, we have tested the possibility that affiliates have gained negotiating power relative to the networks; that is, whether the balance of power has, over that period, shifted toward affiliated stations.

3 Because of the difficulty in gathering data 15 years old, our analysis of conditions in 1980 is sometimes based on data for 1977, 1979 or 1981. At the same time, the most recent data currently available in some cases is for 1993 or 1994.

Consequently, we focus in this report, as did the Commission in the NPRM, on changes in a number of market conditions outside the direct control of the parties to any given affiliation contract that, nonetheless, could affect the relative negotiating power of networks and affiliates. These factors include: (1) the number of networks and broadcast stations; (2) group owners; (3) cable television; and (4) the attractiveness of affiliation. This is confirmed by our analysis of changes in more direct measures of the network-affiliate relationship: (1) network compensation for affiliate time; (2) network and affiliate profits; and (3) affiliate clearance of network programs.

We have relied upon several sources of information. These include final and background reports of the Network Inquiry Special Staff, Commission data compilations and reports, industry publications and information provided by the network affiliates. We have also drawn upon the techniques and principles of microeconomic theory and industrial organization economics, as well as our own practical experience investigating television industry structure and practices.

III. EXTERNAL FACTORS AND THE NETWORK-AFFILIATE RELATIONSHIP

A. Growth in the Number of Networks and Stations

First among the external factors that may affect the network-affiliate relationship is the number of alternatives available to networks and affiliates. [NPRM, ¶¶12-14.] In local markets with more networks than stations, power tends to shift to the stations. The reverse is true in local markets with more stations than networks.

Since 1979, there has been an increase in both stations and networks. On balance, however, these increases tend to favor networks. As shown on Table 1, there are now more local markets, serving more television households, in which the number of stations exceeds the number of networks. In 1979, 52 markets, representing 64 percent of all television households, had at least four stations—at least one more than the existing three networks. By 1995, there were 106 markets, with 85 percent of television households, that had at least five stations—one more than the traditional networks plus FOX.[4] At the same time, there are fewer markets today with more networks than stations. In 1979, there were 76 local markets with only one or two stations (fewer than the three traditional networks); in 1994, there were 67 markets with one, two or three stations (fewer than the traditional networks plus FOX).

[4] The Commission cites similar data for 1994 from a different source, BIA. [NPRM, ¶12 and Appendix B.]

This comparison ignores UPN and WB because, at present, they do not provide a reasonable alternative for an affiliate of the four larger networks.[5] The FOX network began almost ten years ago, while UPN and WB started last year. While FOX now approaches the traditional networks in the extent of its household coverage and the amount and popularity of its programming, UPN and WB are a considerable distance from achieving FOX's current status.

As Table 2 shows, three years after its introduction, FOX had affiliates covering 88 percent of TV homes and offered three nights of prime-time programming with an average rating of 6.2. Five years later, in 1994, it had expanded to 98 percent coverage and seven nights of programming with an average 6.8 rating. At this point, FOX succeeded in acquiring NFL football and attracted several affiliates from the traditional networks.[6]

As shown in Table 2, UPN and WB were both start-up networks in 1994; while they had coverage of about 80 percent of TV homes, UPN had only two nights of programming, with an average rating of 3.4, while WB offered only a single night with an average rating of 1.9. The survival of the two networks is still questioned.[7] Taken together, these data suggest that WB and UPN should be treated as, at most, incipient networks and, therefore, not as realistic alternatives to which affiliates might turn. Nevertheless, even if they were to be counted as networks, there remains a substantial number of markets with stations in excess of networks today compared with 1979; i.e., there are 44 markets, representing 60 percent of all television households, with at least *seven* stations in 1995 (compared with 52 markets, representing 64 percent of television households, with at least *four* stations in 1979).[8] [Table 1.]

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5 The Commission states: "Commenters are ... invited to address the extent to which these new entrants are affecting competition between networks for affiliates and therefore should be included in our analysis of network/affiliate relations." [NPRM, ¶12.]

6 Media Dynamics, Inc., *TV Dimensions*, p. 14. Prior to 1994, there were only two instances (a three-way switch in one market) of intra-affiliate turnover involving FOX. [Table 3.]

7 See, for example, "WB/UPN talk, no action," *Broadcasting and Cable*, September 25, 1995, p. 32.

8 In its report in connection with the Commission's review of the Prime Time Access Rule ("PTAR"), Economists Inc. stated that the number of new networks seeking affiliates, including WB and UPN, exceeds the average number of new independents per market since 1970. [Economists Inc., "An Economic Analysis of the Prime Time Access Rule," March 7, 1995, p. 22.] Such a comparison is not very telling for two reasons: (1) the *average* number of stations per market ignores the unequal distribution of stations within markets and (2) it implies that unless there were a sufficient expansion in stations to create three new independents per market (as potential FOX, UPN and WB affiliates) while the number of "old" independents remained the same *and* three traditional networks gained new affiliates in markets they did not cover in 1970, the balance of networks and stations would not tip in the networks favor. The appropriate comparison is the change in the number of markets where stations exceed networks and where networks exceed stations.

The comparisons on Table 1 do not take account of station broadcast frequencies.[9] The relative bargaining position of the networks and affiliates may depend, among other things, upon networks' preferences for VHF stations and their mix of VHF/UHF affiliates. In fact, most of the station growth is among UHF stations.[10] Reflecting this trend, the relative position of UHF and VHF stations in the affiliate mix has changed since 1980. As Table 4 illustrates (1) 26 percent of the traditional network affiliates are, themselves, UHFs, up from 21 percent in 1980; and (2) 78 percent of FOX affiliates are UHFs. In its PTAR decision,[11] the Commission stated that the UHF disadvantage has diminished.[12] Indeed, FOX has achieved substantial ratings despite its heavy reliance on UHF affiliates. [See, again, Table 2.] Further, since many markets now have both VHF and UHF affiliates of the four networks, within any given market a fifth station (available for affiliation) is more likely to be of the same frequency type as one or more existing affiliates today than was a fourth station in 1979.[13]

In sum, the addition of FOX to the network ranks has effectively increased the alternatives to the traditional networks; due to their nascence, UPN and WB have not yet had any effect in this respect. After balancing this increase in networks against the increase in stations, we find that, as a practical matter, there are now more markets with stations in excess of networks and fewer markets with networks in excess of stations than in 1979. Although markets with stations in excess of networks are less likely to include an extra VHF station today, they are also more likely to include a UHF affiliate. As a result, the extra station is more likely to be comparable to at least some of the networks' existing affiliates than in 1979.

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9 In addition to the VHF and UHF stations shown on Table 1, there are 1751 low-power stations in operation. [*Broadcasting and Cable*, October 2, 1995, p. 69.] Networks have chosen to affiliate with low-power stations in some markets, including ABC in Butte and FOX in Abilene. [NAB, *Market-by-Market Review*, 1995.]

10 NPRM, Appendix C. This, of course, is not surprising, given the relative unavailability of VHF spectrum in most markets.

11 FCC, "Review of the Prime Time Access Rule, *Report and Order*, July 31, 1995, ¶¶73-80.

12 We note, however, that the disadvantage has not been eliminated—*see*, for example, Sumanth Addanki, Phillip Beutel and Howard Kitt, "Regulating Television Station Acquisitions: An Economic Assessment of the Duopoly Rule," National Economic Research Associates, May 17, 1995.

13 The Commission may infer that, but for the entry of FOX, there would be many more markets with three affiliates and one independent VHF station. [NPRM, ¶12.] This is not the case. At present, only three percent of the DMAs (serving six percent of the television households) have exactly four VHF stations, each of which is affiliated with one of the four largest broadcast networks. [*Broadcasting and Cable Yearbook*, 1995, C3-C86 and C135-C216, supplemented by recent FOX affiliate changes per 1995 *Market-by-Market Review*.]

B. Group Owners

The second external factor that could affect network-affiliate negotiations is the change in the amount of group ownership and the extent to which affiliates are able to take advantage of group ownership in bargaining with networks.[14] The Commission apparently assumes that there has been a trend toward group ownership: this has not been the case. As Table 5 shows, the percentage of stations that are group owned declined slightly from 72 percent in 1981 to 68 percent in 1994. Moreover, as Table 6 shows, there has been little, if any, increase in coverage by the major nonnetwork group owners—i.e., average coverage was 7.8 percent in 1980 and 8.5 percent in 1995—while the number of such group owners also remained about the same.

If there were a change in the extent to which group owners negotiated with networks for all their stations as a block, we might still see a gain in bargaining advantage for the group-owned affiliates. As Table 6 shows, there appears to be no such shift: in both 1980 and 1995, the major group owners have had a variety of affiliation and nonaffiliation configurations among their stations.

While there have been no changes in group ownership that would favor affiliates, there has been a slight increase in group ownership by the networks. In 1980, each network owned five stations covering about 21 to 22 percent of the television households.[15] In 1995, the three traditional networks each owned seven to ten stations, covering 21 to 25 percent of television households, without counting satellites, passive interests or pending acquisitions.[16]

In sum, these group owner changes do not appear to favor the affiliates.

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14 The Commission recognizes: "The network/affiliate relationship could also be affected by the trend toward group ownership in television broadcasting. Networks are often negotiating with group owners rather than individual station owners for affiliation contracts. ...We solicit comment on the impact of group ownership on the bargaining between networks and broadcast stations. ... We also ask commenters to provide data on ... the extent to which group-owned stations tend to be network affiliates rather than independent stations." [NPRM, ¶ 16.]

15 Broadcasting and Cable Yearbook, 1981, pp. A36-51 and B1-81.

16 Comments of the Network Affiliated Stations Alliance, *Review of the Commission's Regulations Governing Television Broadcasting, et al.*, May 17, 1995, Exhibit I. Although not reflected in these data, there have been transactions in which CBS divested some stations and acquired others that were contributed to a newly formed joint venture with Group W/Westinghouse. If the pending acquisition of CBS by Westinghouse is taken into consideration, the number of stations owned by CBS would increase.

C. Growth Of Cable

The third external factor that may affect the network-affiliate relationship is the growth of cable television.[17] Table 7 shows that cable and other subscription services have increased their penetration from 26 percent of television households in 1980 to 66 percent in 1994. The noncable services (SMATV, STV, wireless and backyard satellite) have remained relatively small, increasing from two percent in 1980 to four percent in 1994.

Cable and the other multichannel services are a source of "cable" network programming. Because the quantity and quality of cable programming has increased over the last 15 years, cable's viewing share has increased faster than penetration. Table 8 shows that cable's share of viewing across all television households grew from just three percent in 1980/81 to 29 percent in 1993/94.

Cable programming provides popular alternatives to broadcast network and station programming. Like broadcast programming, which is largely network or syndicated, the bulk of cable programming is national. However, given the geographic fragmentation of cable systems—a cable system typically serves a small portion of a local TV market—local programming on cable (public, educational and government channels plus local cable origination) is usually very localized. DMA-wide local news and other local programming commonly provided by broadcast stations is much less frequently provided by cable. With cable clustering, metropolitan-wide cable news services, such as New York 1 News, New England Cable News or Orange County NewsChannel, have begun to be offered on cable; however, at present, these "regional" news services are provided to only 11 percent of cable households.[18]

The growth of cable has adversely affected both the traditional networks and their affiliates. As shown on Table 8, from 1980/81 through 1987/88, cable's share grew at the expense of the broadcast networks, whose share declined from 53 to 36 percent of total day viewing. A decline in the share of network programming, of course, affects both the networks themselves and their affiliates:

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17 The FCC "solicit[s] evidence regarding the extent to which those television households that do not subscribe to cable do subscribe to other multichannel providers. We also ask for information regarding the broadcast networks' share of the viewing audience *vis-à-vis* other programming providers. ...we ask commenters to address whether multichannel video programming distributors provide sufficient local news and other programming responsive to community needs...[and we seek comment on] the effects these other providers have on the relationship between broadcast television networks and their affiliates." [NPRM, ¶¶10, 11.]

18 Regional sports channels are more common: Subscribers to all regional sports channels combined amount to about 80 percent of cable households. This overstates their availability somewhat because in some places two channels have common subscribers. [*Cablevision*, June 5, 1995, p.54 and *The Kagan Media Index*, July 19, 1995, p. 8.]

From 1987/88 through 1993/94, cable's share grew at the expense of both the broadcast networks and the affiliates' nonnetwork programming. During this period, the share of affiliate nonnetwork programming declined from 21 to 16 percent and the share of affiliate network programming declined from 36 to 32 percent.[19] Thus, cable has affected affiliates in both their network and nonnetwork programming.

While over the whole period the networks suffered a substantial share decline, they remain the largest share category. Cable may have reduced the attractiveness of networks for potential affiliates in an absolute sense, but not relative to other alternatives available to the affiliates. As discussed in Section D below, network affiliation remains highly attractive to stations.

It should also be noted that cable has the potential to affect affiliates adversely by serving as a possible alternate distributor of network programming. While the traditional networks have reaffirmed their commitment to broadcast station affiliates, cable has served as an alternative outlet for the FOX network in markets in which it could not secure an affiliate and has been mentioned as a possible distribution outlet for the WB network.[20]

D. Continued Attractiveness of Affiliation

In this section, we consider whether, given the changes in available programming, affiliation is as attractive an alternative to stations today as it was in 1980.[21] To explore this, we consider three statistics: (1) the expected profitability of affiliation relative to remaining independent; (2) the extent to which we observe stations foregoing affiliation; and (3) the local-market viewer shares of independent stations versus network affiliates.

The first, and perhaps best, measure of the attractiveness of affiliation is whether, all else equal, a station could expect its profits to be higher as an independent or as an affiliate. The higher the opportunity costs of affiliation (in terms of foregone independent station profits) the more likely affiliates would be willing to walk away from the negotiating table.

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19 Cable's increases are apparently continuing. [See, "Cable TV Continues its Steady Drain of Network Viewers," *New York Times*, October 25, 1995, p. C13.]

20 "It's TBS Time," *Broadcasting and Cable*, September 25, 1995, p. 8. Cable has served as an alternate outlet for the nascent WB network in another way. WB contracted with superstation WGN-Chicago, giving the new network immediate coverage in all markets served by cable systems importing WGN's signal.

21 In the NPRM, the Commission assessed the availability of network and syndicated programming as a measure of the attractiveness of affiliation. [NPRM, ¶14.] We do not examine this measure here. Rather, as noted below, we focus instead on more direct measures of attractiveness.

Table 9A shows that, in 1993, the cash flow margin of the average network affiliate of each of the four networks is larger than that for the average independent.[22] Furthermore, the profitability disadvantage for independent stations is virtually *unchanged* from 1980. [Table 9B.] Although this does not mean that it is always more profitable for an independent station to become an affiliate, it appears that a station considering affiliation could, on average, reasonably expect its profitability to improve.

The relative attractiveness of affiliation is also indicated by the extent to which there are independent stations in markets that lack a full complement of affiliates. In 1980, there were only two markets with fewer than three affiliates and at least one independent station available for affiliation. By 1995, this figure had increased but still remained a small fraction of the total number of markets: 12 markets with fewer than three traditional network affiliates (and another 15 markets with no FOX affiliate), but with at least one independent. [Table 10.] Moreover, there appear to be *no* markets with stations that have chosen to drop their affiliation to become independent; rather, the increase in such markets is due to new independent stations.[23] Together these results do not suggest a substantial decline in the attractiveness of affiliation.

Yet another measure of the attractiveness of affiliation is the degree to which independent stations that affiliated with FOX have, over time, improved their market position. Based on a sample of ten markets, with DMA rankings 1, 11, 21 and so on, up to 91, we see that FOX stations have increased their total-day share of local station viewing following affiliation from an average of 8 percent in 1985 to 11 percent in 1994. [Table 11.] This increase is substantial given the overall trend of declining shares for affiliates of the traditional networks and constant shares for the independent category. [Table 8.]

Of course, FOX does not operate in a vacuum: Affiliates, in general, still garner larger viewer shares than do independents. In 1994, there were only two local markets in which an independent station achieved a higher share than the worst-performing traditional network affiliate, and only one with equal shares. Similarly, there was only one local market in which an independent station attained a higher share than a FOX affiliate, and only three with equal shares.[24] As an illustration,

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22 In fact, this difference is even larger in relatively larger television markets.

23 Stated alternatively, the growth in the number of markets with excess affiliation capacity has resulted from an increase in the number of available stations—*not* from a decline in the extent of affiliation.

24 NAB, Market-by-Market Review, 1995.

Table 12A shows the shares of the lowest-share traditional network affiliate, the FOX affiliate and the highest-share independent for selected local markets in 1994. Table 12B shows the same information in 1981 (without FOX). Although the gap between affiliate and independent shares has generally narrowed, affiliates still tend to outperform independents.

All these factors are consistent with the conclusion that network affiliation continues to be the preferred option for a television station.

IV. DIRECT MEASURES OF THE NETWORK-AFFILIATE RELATIONSHIP

In this section, we examine more direct measures of the relative bargaining position of networks and their affiliates. These include (1) the amount of compensation received by affiliates from networks; (2) the growth in affiliate versus network profitability; and (3) the extent to which affiliates clear network programming.

A. <u>Network Compensation</u>

Network compensation is a way that networks share profits with their affiliates, but do so differentially in local markets to account for different competitive considerations. All else equal, if, over time, networks increased the share of profits paid to their affiliates, this would suggest that affiliates have gained bargaining leverage.

In fact, we observe the opposite. Table 13 shows that *average* network compensation, is only slightly higher in 1993 than it had been in 1980; after adjusting for inflation, it is 40 percent lower. The typical (median) affiliate actually had lower compensation in 1993 *before* adjustment for inflation. Recent affiliation changes, many of which involved FOX, are reported to have resulted in substantial increases in compensation. However, even increases of $100 to $200 million (as suggested in trade publications), would not put affiliates in a better position today after accounting for inflation.[25]

Individual affiliate compensation can be influenced by the network-affiliate bargaining conditions in each local market. The Network Inquiry Special Staff found that network compensation was affected positively by the existence of an independent station, particularly of the same VHF/UHF

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[25] The trade publications are "Network Profits Impacted for a Decade by Comp. Hikes," *TV Program Investor*, August 31, 1994, ($100 million) and "In the Storm of the Eye," *Broadcasting and Cable*, December 19, 1994, p. 31, ($200 million). Nevertheless, according to TVB, total compensation increased from about $369 million in 1980 to only $396 million in 1994. [Television Bureau of Advertising, *Trends in Television*, July 1995, p. 12.] Further, we understand that, in many instances, networks have received concessions in return for the increased compensation. [See, for example, "In the Storm of the Eye," *Broadcasting and Cable*, December 19, 1994.]

type as the affiliate in 1977. The data for 1993 are consistent with this observation: Table 14 shows that the average network compensation per television household was lower in larger markets with more independent stations, and still lower in the largest markets with more VHF independents. This pattern appears to be independent of profits per television household—*i.e.*, the networks do *not* appear to be paying increased compensation to stations in small markets because those markets are less profitable (per household reached). Rather, the compensation levels appear to be influenced by the number of viable alternative stations to which the *networks* might turn.

Taken as a whole, the compensation data are not consistent with increased affiliate power.

B. Network and Affiliate Profitability

The second direct measure of the network-affiliate relationship concerns the relative growth in profits. Table 15 shows that, between 1980 and 1993, profits of the three traditional networks increased slightly more than those of the typical affiliate. While average affiliate profits increased at a faster rate, this average may be influenced by the large size and rapid increase in the profits of the network owned-and-operated ("O&O") stations. Indeed, if networks and O&Os are counted as a single entity, their profits grew substantially more than the average affiliate.[26] Again, these data do not suggest increased affiliate power.

C. Network Clearance Rates

Other things equal, networks would prefer higher clearance rates than would affiliates. Given the declining viewing shares for network programming, the increased attractiveness of syndicated programming, and the absence of increased compensation, affiliates today would presumably want to clear less network programming than in 1980. Nevertheless, clearance rates have not diminished. As Table 16 shows, average network clearance rates increased between 1977 and 1994, for both prime-time and nonprime-time programming.[27] Although the decline in the amount of network programming may explain the increased clearance rates outside of prime-time, it does not

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26 According to *Video Economics*, the networks have been suspected of hiding their profits in the O&O stations. B. Owen and S. Wildman, *Video Economics*, Harvard University Press, 1992, p. 168.]

27 Given the variances in clearance rates, the increases from 1977 to 1994 are not statistically different from zero (no increase).

explain the increased clearance rate in prime-time.[28] The change in clearance rates does not indicate any increase in affiliate power.

V. CONCLUSION

Overall, when evaluated either by market conditions that are outside the control of the parties to any given network-affiliation agreement or by direct measures of their relationship, we find that the available evidence tends to refute the proposition that affiliates have gained negotiating power since the FCC's decision to retain the rules in 1980.

Specifically, since 1980:

- Neither the entry of new networks and stations nor changes in group ownership have tended to favor affiliates.
- In addition, neither the rise of cable television nor improvements in syndicated programming have demonstrably diminished the attractiveness of network affiliation for a television station.
- Clearance rates have not declined, network compensation has not increased in real terms and profits of affiliates have not increased relative to the networks.

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[28] According to the Economists Inc. PTAR Report, *Op. Cit.*, at Appendix D, Table D-2, p. 91, total network programming hours outside of prime-time declined by 12 percent since 1977.

TABLE 1

DISTRIBUTION OF TELEVISION MARKETS BY NUMBER OF OPERATIONAL STATIONS
1979 and 1995

	1979			1995 <1		
Number of Stations	Number of Markets	Cumulative Number of Markets	Cumulative Percentage of TV Households	Number of Markets	Cumulative Number of Markets	Cumulative Percentage of TV Households
18				1	1	5%
17				1	2	8%
16				0	2	8%
15				3	5	19%
14	1	1	5%	1	6	20%
13	0	1	5%	4	10	28%
12	0	1	5%	4	14	34%
11	0	1	5%	1	15	36%
10	1	2	14%	4	19	41%
9	1	3	16%	7	26	46%
8	1	4	20%	7	33	51%
7	2	6	25%	11	44	60%
6	3	9	28%	27	71	74%
5	11	20	41%	35	106	85%
4	32	52	64%	38	144	93%
3	84	136	92%	31	175	97%
2	38	174	98%	22	197	99%
1	38	212	100%	14	211	100%

Note: Table includes commercial VHF and UHF stations only.

1> Data exclude satellites to stations in the same market.

Source: 1979: FCC, Network Inquiry Special Staff, *New Television Networks: Entry, Jurisdiction, Ownership and Regulation, Final Report*, October 1980, Table 8, p. 68.
1995: *Broadcasting and Cable Yearbook*, 1995, pp. C2-C86 and C135-C216.

TABLE 2

FOX, UPN AND WB:
NIGHTS OF PROGRAMMING, RATINGS, NUMBER OF AFFILIATES
AND PERCENT OF HOUSEHOLDS SERVED
1989-1994

	Fox	UPN	WB
Date Began	1986	1994	1994
Nights of Programming			
1989	3	na	na
1994	7	2	1
Prime-Time Ratings <1			
1989-90	6.2	na	na
1994-95	6.8	3.4	1.9
Number of Affiliates			
1989	122 <2	na	na
1994	184 <3	96 <4	60 <4
Percent of Television Households			
1989	88% <2	na	na
1994	98% <3	78% <4	80% <4

na - not applicable.

1> 52 weeks.
2> As of March 16, 1989.
3> As of June 30, 1994.
4> As of January 2, 1995.

Source:
Fox: Date Began: *TV Dimensions 1995*, pp. 11-14.
Nights of Programming: 1989: *TV Dimensions 1995*, pp. 11-14 and
1994: *News Corp. Ltd., Form 10-K*, fiscal year ending 6/30/94.
Ratings:
1989-90: *The Kagan Media Index*, May 31, 1991, p. 14 and October 21, 1991, p. 14.
1994-95: *Broadcasting & Cable*, September 25, 1995, p. 34.
Number of Affiliates and Percent of TV Households:
1989: FCC, *Review of Rules and Policies Concerning Network Broadcasting by Television Stations, Report and Order,* April 7, 1989 at 19.
1994: *News Corp. Ltd., Form 10-K*, fiscal year ending 6/30/94.
UPN & WB: Date Began: *TV Dimensions 1995*, pp. 11-14.
Nights of Programming: *Broadcasting & Cable*, September 11, 1995, p. 29.
Ratings: *Broadcasting & Cable*, September 25, 1995, p. 34.
Number of Affiliates and Percent of TV Households: *Broadcasting & Cable,* January 2, 1995, p. 36.

TRADITIONAL NETWORK AFFILIATE AND FOX AFFILIATE SWITCHES

	Number of Switches		
Year	Among Three Traditional Network Affiliates	Among Traditional Network and Fox Affiliates	Total
1986	9	0	9
1987	2	0	2
1988	5	0	5
1989	4	2	6
1990	2	0	2
1991	2	0	2
1992	2	0	2
1993	0	0	0
1994	2	12	14
1995	21	15	36
Total	49	29	78

Note: Traditional networks are ABC, CBS and NBC. Does not include switches involving independent stations, WB or UPN.

Source:
Data supplied by Katz Television, supplemented by *Television & Cable Factbook*, 1986-1994 and NAB, *Market-By-Market Review*, 1995.

TABLE 4

NETWORK MIX OF UHF AND VHF AFFILIATES
1980 and 1995

Networks	Number of Affiliates <1							
	1980				1995			
	UHF	VHF	Total	UHF As A Percent Of Total	UHF	VHF	Total	UHF As A Percent Of Total
			(1)+(2)	(1)/(3)			(5)+(6)	(5)/(7)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ABC, CBS & NBC	128	477	605	21%	165	472	637	26%
Fox	--	--	--	--	101	28	129	78%

-- = not applicable.

1> Data include satellites to stations inside the market and outside the market.

Source:
1980: FCC, *Television Broadcast Financial Data - 1980*, August 10, 1981, Table 2.
1995: *Broadcasting & Cable Yearbook*, 1995, pp. C2-C86 and C135-C216.

TABLE 5

NUMBER OF GROUP-OWNED AND SEPARATELY OWNED COMMERICAL TELEVISION STATIONS 1981 and 1994

	Number of Commercial Television Stations	
	1981	1994
Group-Owned	571	784
Separately Owned	219	370
Total	790	1,154
Percent Group-Owned	72%	68%

Source:

1981: FCC, *Amendment of Sections 73.35, 73.240, and 73.636 of the Commission's Rules Relating to Multiple Ownership of AM, FM and Television Broadcast Stations, NPRM,* October 20, 1983, p. 379.

1994: FCC, *Review of the Commission's Regulations Governing Programming Practices of Broadcast Television Networks and Affiliates, NPRM,* June 15, 1995, p. 10.

MAJOR NONNETWORK GROUP OWNERS: STATIONS AND COVERAGE
1980 and 1995

TABLE 6

	1980					1995					
	Number of Stations				Percent of TV Households Covered	Number of Stations					Percent of TV Households Covered
	ABC	NBC	CBS	IND		ABC	NBC	CBS	Fox	IND <1	
Tribune				3	13.0%			1		7	20.4%
Chris Craft/United Television				2	6.3%	1	1			6	17.9%
Gannett	4	3			4.7%	3	4	3			9.9%
Scripps Howard	1	3	1	1	4.6%	5	3	1			8.1%
Cox Enterprises	2	1	1	1	6.5%	3	1	1	1		7.7%
Post-Newsweek	1	1	2		4.6%	2	2	2			7.0%
Hearst	3	1			4.0%	5	1				6.7%
Metromedia	1	1		5	18.9%						
RKO General	1		1	2	16.9%						
Field Communications				5	6.9%						
Westinghouse (Group W)	1	3	2		10.9%						
Storer		2	4	1	8.1%						
Gaylord	1		1	5	6.8%						
Taft	3	2		2	6.4%						
Capital Cities	4		2		7.1%						
Golden West				2	5.8%						
Times-Mirror	2	3	2		4.5%						
Corinthian	1		5		4.7%						
Silver King										12	14.8%
A.H. Belo						3		3		1	8.1%
LIN Broadcasting						2	4	3			6.4%
Renaissance							3		4	2	6.3%
Pulitzer						3	6	1			6.1%
Paramount										6	5.7%
Disney										1	5.2%
Providence Journal							4	2	1	4	5.0%
River City Broadcasting						3		1	2	1	4.8%
Hubbard Broadcasting						5	3			1	3.5%
Average <2					7.8%						8.5%

Note: Major group owners include those nonnetwork owners listed among the top 21 group owners in 1980 and the top 25 group owners in 1995.
Data do not include stations owned and operated by CBS, NBC, ABC, Fox, Univision or Telemundo, or station groups in which they have an interest (i.e., Fox's interest in New World and CBS's in Group W in 1995).
In the case of an owner with two or more stations in the market, all stations are counted but the market's households are counted only once.
UHF coverage is 50 percent of households in the market.

1> Independent (IND) category may include stations affiliated with the UPN and WB networks.
2> Average of top 18 group owners in 1980 and top 17 group owners in 1995.

Source:
1980: *Broadcasting & Cable Yearbook,* 1981, pp. A36-51 and B1-81; FCC, *Amendment of Sections 73.35, 73.240, and 73.636 of the Commission's Rules Relating to Multiple Ownership of AM, FM and Television Broadcast Stations, NPRM,* October 20, 1983, pp. 379-380; and FCC, Network Inquiry Special Staff, *Background Report, An Analysis of The Network-Affiliate Relationship in Television,* October 1980, p. 120, Table I-8.
1995: *Broadcasting & Cable*, July 10, 1995, pp. 8-9.

TABLE 7

PENETRATION OF CABLE AND OTHER SUBSCRIPTION SERVICES
1980 and 1994

	Distributor	1980	1994
		--(Million)--	
(1)	US TV Homes	79.90	94.93
(2)	Basic Cable Subscribers	19.20	58.80
(3)	Cable Penetration [(2)/(1)]	24%	62%
(4)	SMATV Subscribers	--	0.88
(5)	STV Subscribers <1	0.80	0.00
(6)	Wireless Subscribers <2	0.45	0.58
(7)	Backyard Subscribers <3	0.00	2.14
(8)	Non-Cable Subscribers [Sum (4) to (7)]	1.25	3.60
(9)	Non-Cable Penetration [(8)/(1)]	2%	4%
(10)	Cable and Non-Cable Subscribers [(2)+(8)] <4	20.45	62.40
(11)	Cable & Non-Cable Penetration [(10)/(1)]	26%	66%

-- = not available.

1> STV service ceased in 1989.
2> Consists of MDS and MMDS subscribers. MMDS began in 1985.
3> An estimated 4,000 home satellite dishes were sold in 1980. Services began to scramble signals in 1985. FCC, *Inquiry into the Scrambling of Satellite Television Signals*, March 23, 1987, Tables 1 and 2.
4> Some homes may subscribe to more than one distributor.

Source:
1980: Lines (1)-(2), (4), (6)-(7): *The Kagan Media Index*, December 24, 1991, p. 12 and Line (5): Kagan, *The Cable TV Financial Databook*, July 1995, p. 14.
1994: *The Kagan Media Index*, July 19, 1995, p. 14.

SHARE OF TOTAL TELEVISION HOUSEHOLD VIEWING
BY PROGRAMMING SOURCE
1980/81 to 1993/94

	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94
Network Affiliates:														
Network Programming	53%	51%	47%	46%	41%	42%	38%	36%	37%	35%	34%	34%	33%	32%
Nonnetwork Programming	21%	22%	22%	20%	22%	22%	21%	21%	18%	17%	16%	17%	16%	16%
Independents <1	22%	22%	23%	21%	20%	20%	19%	19%	19%	19%	20%	19%	19%	19%
Public	*	*	*	3%	3%	3%	4%	4%	3%	3%	3%	3%	4%	4%
Cable <2	3%	5%	8%	10%	13%	13%	18%	21%	23%	26%	28%	28%	28%	29%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Note: Shares are on a 24 hour viewing basis Monday-Sunday.

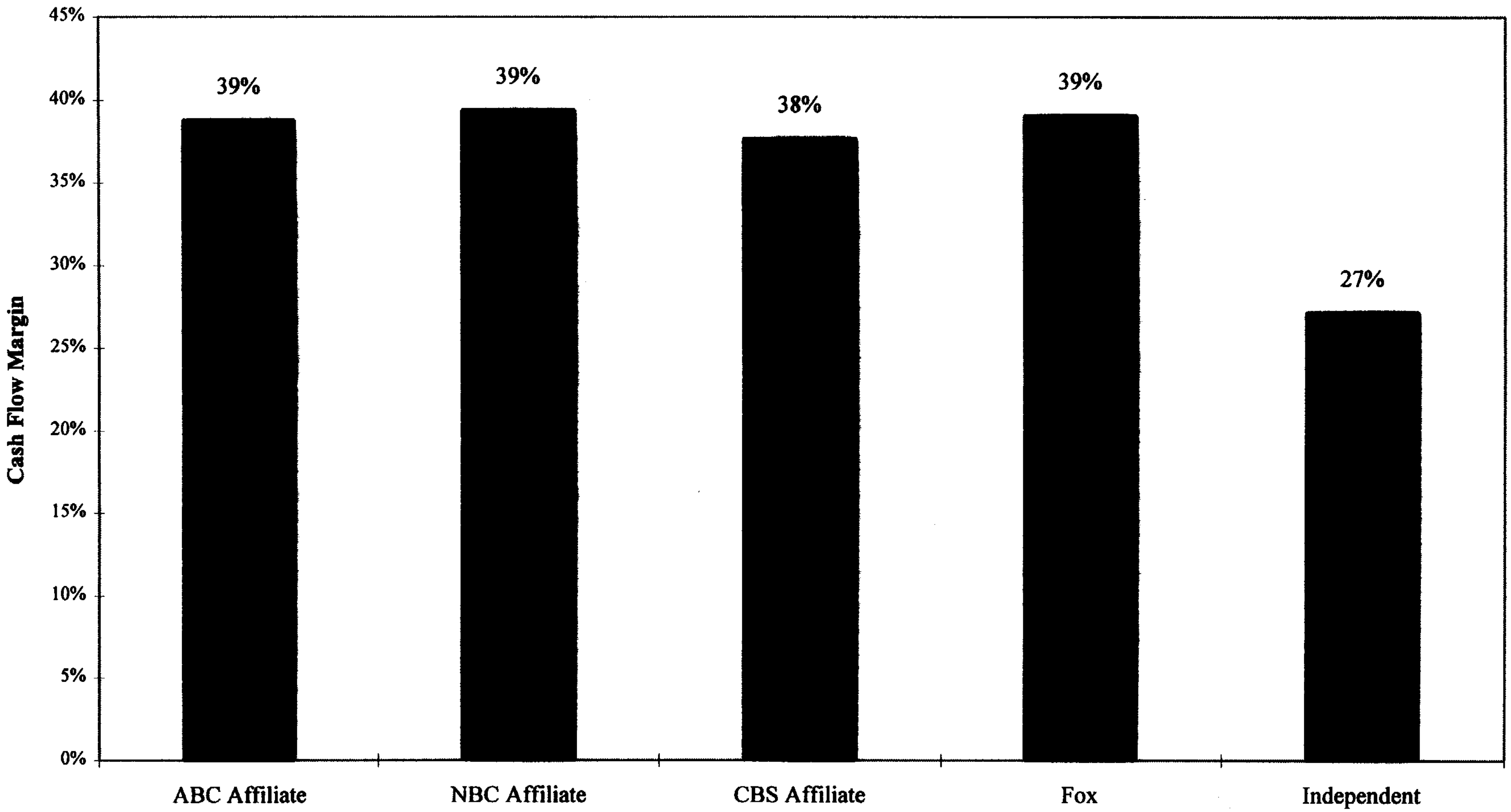
* - Public stations included with Independents.

1> Includes Fox, other local, distant and superstations.
2> SuperStation TBS part of cable category since 1986/87.

Source:
1980/81 - 1982/83: Nielsen data provided by Katz Television.
1983/84 - 1993/94: Nielsen data reported in Cabletelevision Advertising Bureau, *Cable TV Facts*, 1985-1995.
1983/84 network affiliate split: based on data provided by Katz Television.

TABLE 8

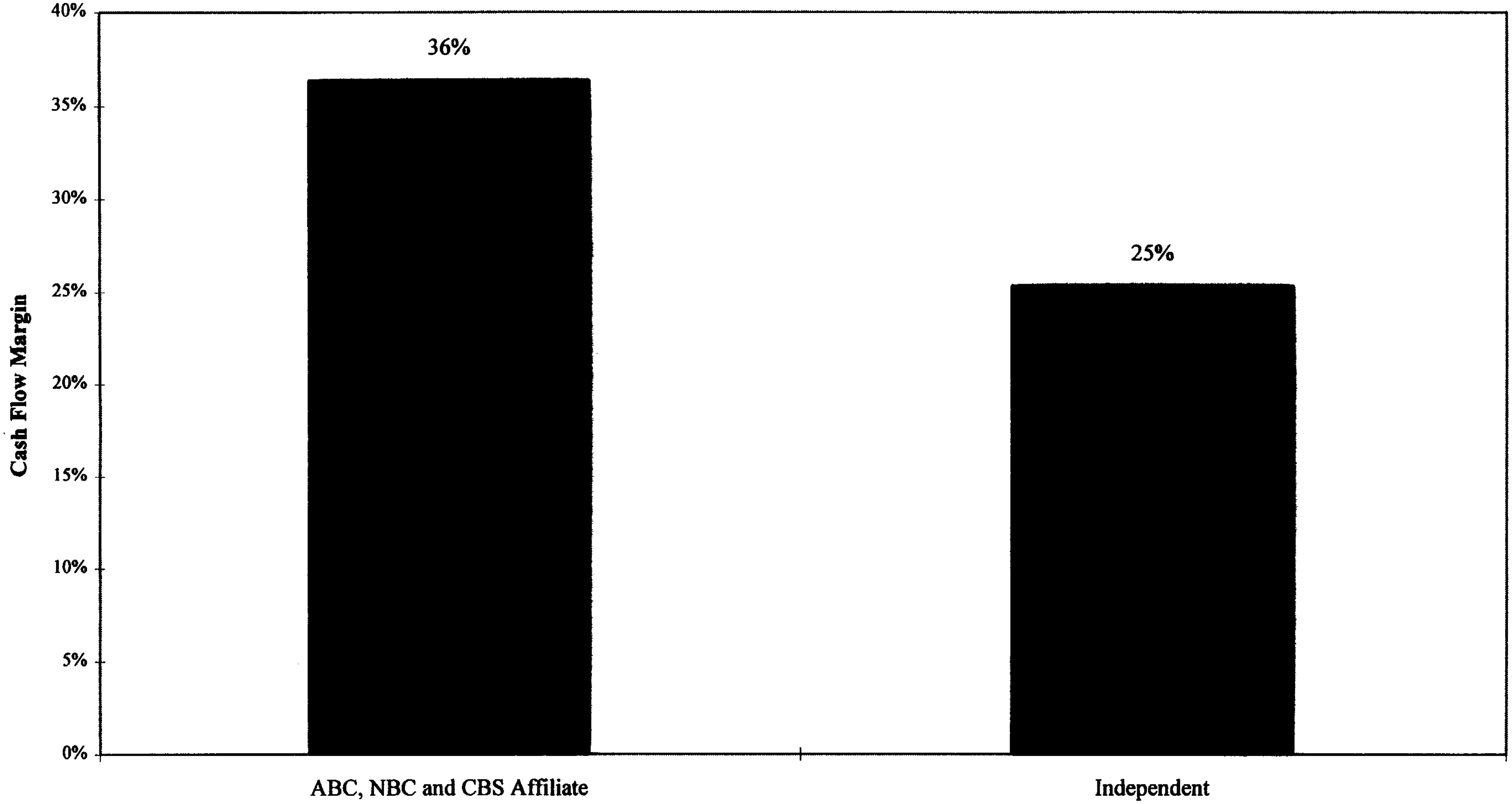
1993 CASH FLOW MARGIN BY AFFILIATION



Source: NAB, *Market-By-Market Review*, 1995, p. B-1.

TABLE 9A

1980 TELEVISION STATION CASH FLOW MARGINS
BY AFFILIATION



Source: FCC, *Television Broadcast Financial Data-1980*, August 10, 1981, Tables 4 & 5.

TABLE 9B

TABLE 10A

MARKETS WITH INDEPENDENT STATIONS,
BUT FEWER THAN THREE TRADITIONAL NETWORK AFFILIATES
1995

DMA Number	Market Name	Traditional Network Affiliates	Fox Affiliate	Independents <1
115	Monterey-Salinas, CA	2	1	1
127	Florence-Myrtle Beach, SC	2	1	2
154	Albany, GA	1	1	1
157	Quincy, IL - Hannibal, MO - Keokuk, IA	2	0	1
162	Clarksburg-Weston, W. VA	2	0	1
167	Elmira, NY	2	0	1
175	Marquette, MI	2	0	1
181	Meridian, MS	2	0	1
190	St. Joseph, MO	1	0	1
198	Laredo, TX	2	0	1
201	Lima, OH	1	0	1
205	Fairbanks, AK	2	1	1
Total 12				

Note: Traditional network affiliates are CBS, NBC and ABC.
The affiliate may be a low-power station.
Data exclude satellites to stations in the same market and nonoperating stations.

1> Telemundo and Univision affiliates are treated as independent stations.

Source: *Broadcasting & Cable Yearbook*, 1995, pp. C3 - C86 and C135 - C216.
Low Power: NAB, *Market-By-Market Review*, 1995.

TABLE 10B

MARKETS WITH INDEPENDENT STATIONS, BUT NO FOX AFFILIATES
1995

	DMA Number	Market Name	Traditional Network Affiliates	Fox Affiliate	Independents <1
	70	Green Bay-Appleton, WI	3	0	3
	83	Huntsville-Decatur-Florence, AL	4	0	2
	86	South Bend-Elkhart, IN	3	0	1
	101	Lincoln-Hastings-Kearney Plus, NE	3	0	2
	112	Santa Barbara-Santa Maria-San Luis Obispo, CA	3	0	1
	113	Harlingen-Weslaco-Brownsville-McAllen, TX	3	0	2
	124	Macon, GA	3	0	2
	128	Corpus Christi, TX	3	0	1
	129	Bakersfield, CA	3	0	1
	133	Monroe, LA - El Dorado, AR	3	0	1
	134	Duluth, MN - Superior, WI	3	0	1
	145	Medford-Klamath Falls, OR	4	0	1
	146	Rochester, MN - Mason City, IA - Austin, MN	3	0	1
	149	Columbia-Jefferson City, MO	3	0	1
	170	Billings, MT	3	0	1
Total	15				

Note: Traditional network affiliates are CBS, NBC and ABC.
The affiliate may be a low-power station.
Data exclude satellites to stations in the same market and nonoperating stations.

1> Telemundo and Univision affiliates are treated as independent stations.

Source: *Broadcasting & Cable Yearbook*, 1995, pp. C3 - C86 and C135 - C216.
Low Power: NAB, *Market-By-Market Review*, 1995.